BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
High Cost Universal Service	)	WC Docket No. 05-337
Reform	)	

To: Federal-State Joint Board on Universal Service

COMMENTS OF CORR WIRELESS COMMUNICATIONS, LLC

Corr Wireless Communications, LLC ("Corr") offers these comments in response to the Joint Board's May 1, 2007 request for comments on new proposals with respect to reform of USF High Cost support mechanisms. Corr is a regional wireless carrier in northern Alabama which is both a large contributor to the Universal Service Fund and, as a designated ETC, a recipient of funding in support of its service to high cost areas. Corr commented at length during the November 2006 round of comments on the possible structure and benefits of a reverse auction mechanism; it will not repeat those comments here but directs the Joint Board to those points.[1] Generally, Corr supported reverse auctions as a potential way of establishing a sound and sustainable basis for high cost support in individual markets. Reverse auctions are not necessarily the only solution in this regard, but they do permit the market to set a level of support which all competing carriers could then enjoy, as opposed to the level artificially set by the LEC. Under no

[1] October 10, 2006 Comments of Corr Wireless Communications, LLC in Docket 05-337.

circumstances should reverse auctions apply only to wireless carriers or other ETCs since one of the main benefits of the auction – limiting the public's contribution to USF to the lowest level necessary to support the designated services – would otherwise be lost. Corr does have some suggestions with respect to disaggregation of support, competitive ETC support, and support for broadband.

A. Disaggregation of Support

The Joint Board asked whether all carriers should be required to disaggregate support to geographic areas smaller than study areas or wire centers, and whether all carriers should receive support on a per-line basis under such a plan. Corr supports both concepts, provided they apply equally to LECs and ETCs. Greater granularity in the definition of high cost areas can only have the effect of reducing the areas which merit high cost treatment. Large definition areas will necessarily tend to sweep lower cost areas within their coverage, thus erroneously identifying more areas as high cost and increasing the numbers of lines which qualify for high cost support. The greater the precision with which the support is targeted at high-cost areas, the less the entire support program costs while still doing its job effectively. The Board's comment in the May 1 Public Notice ("PN"), however, seemed to suggest that greater granularity would ensure that "competitive entrants" would receive support only if they serve the high-cost region. PN at Para. 6. However, the same should be true of LECs: if their high-cost areas are defined with greater accuracy and precision, their eligibility for funding should also decline. An essential *sine qua non* of reforming the USF system must be to put LECs and competitive ETCs on an equal basis with respect to both their eligibility to receive USF support and their obligations as recipients.

Corr also notes that granularity of high-cost area definition can only go so far. Both LECs and competitive ETCs will have some plant and other infrastructural elements that serve both high-cost areas and other areas. To do otherwise would be grossly inefficient. The granularity definition must therefore be broad enough to include a proportion of the common costs of shared network elements. The proportion could simply be the number of high-cost subscriber lines as a ratio to the total number of lines.

Provision of support on a "per line" basis continues to be the most rational way of apportioning support among competing carriers in a particular market. (One of the reasons the current fund has gotten out of hand is that the Commission has not adhered to this principle after having adopted it.) The per line system ensures that carriers only get support for the customers they actually serve -- not for plant or facilities *per se*. Again, this principle must be applied to LECs and competitive ETCs alike. By making the distribution of support a zero-sum game, the overall expenses of the program will be significantly reduced by eliminating duplicative payments. It also permits -- and, indeed, encourages -- competition between carriers to get the customer and receive the attendant support. This process should also alleviate any concerns the Board has about too many competitors in a market since the public will ultimately be supporting only the total number of lines serving high-cost customers, no matter which carrier is providing the service.

B. Competitive ETC Support

As noted above, any "reform" measure which addresses only payments to competitive ETCs without considering the concomitant limitation on LECs will never reach the root cause of the present problems in the system. LECs consume the lion's share of USF support; as a big part of the problem, they must also be a big part of the solution. This can be achieved by limiting the overall high-cost support for a given area and dividing it among the participating carriers according to how many customers they have, as described above. However, it is critical that support payments to all participating carriers in a market be at the same level or competitive distortions will arise.

There is perhaps a superficial appeal to distributing support payments to competitive ETCs at their demonstrated cost levels rather than the cost levels of the LECs. The problem with this is that it perpetuates a system where LECs can continue to receive support at historic levels which are often not justifiable from an efficiency or productivity standpoint. Once we take as our premise that LECs are competitive with other ETCs, it becomes obvious that it makes no sense to reward a less efficient producer of services for its inefficiency by subsidizing the difference while punishing the efficient producer by giving it less of a subsidy "because it needs it less."

Consider the parable of a parent who gives allowances to two sons who are earning money by mowing lawns. One son buys and uses an inexpensive push mower which costs little to operate. The other buys and uses a John Deere sit mower which costs a lot at the outset and requires considerable fuel and periodic maintenance. The parent gives the John Deere son a larger allowance because his costs are higher and he therefore nets less money than the other son. The John Deere son has no incentive to lower his costs and may, indeed, buy a canopy for the mower since his allowance makes up for the extra cost. The son with the push mower is effectively punished for keeping his costs low. However, if there were a fixed amount of allowance money and an equal amount per lawn was allotted to each son, both would have incentives to keep their costs low. In addition, both sons have incentives to expand their customer base because the more lawns that are mowed by each, the greater the efficiencies that are realized by spreading out the fixed costs of the lawn mowers.

The upshot here is that the overall costs of the USF system must be brought down, whether by reverse auctions or otherwise, but in the meantime, any distribution to LECs on a per-line basis must be equally matched by a per-line distribution to competitive ETCs, and vice versa. Otherwise you end up with carriers competing to *increase* their costs to qualify for higher distributions rather than reducing their costs to improve their productivity.

C. Support for Broadband

The Joint Board raises the issue of whether broadband should be added to the list of supported services almost as an afterthought. This is curious since the cost of adding broadband can be expected to increase the burden on the USF system dramatically -- just at the time when the Board is looking to *reduce* the burden.

Corr is not in a position to estimate with any precision how much the cost of broadband rollout in the United States will be, but based on figures released by media giants such as AT&T and Verizon with respect to their own broadband plans, we can safely concluded that we are looking at perhaps a hundred billion dollars to accomplish this goal. While everyone can agree that universal broadband is a worthy goal, subsidization through the USF would be a mistake of the highest order from a number of standpoints.

1. Many carriers have already bitten the bullet and provided broadband facilities to their customers without USF support. Those carriers should be rewarded for the energy and alacrity with which they have supplied this much-needed service. Instead, adding broadband to the supported service list now would effectively disadvantage those carriers competitively by letting their laggard competitors get public funding for the very same services. This is not only anti-competitive and unfair but likely to lead to stalling in the deployment of technological advances in the future because prospective providers will want to wait to see if the Commission will add the technological advance to the supported services list.

2. The broadband field is competitive. Both cable companies and telcos see a market for new services to customers in broadband deployment, so they are rolling it out nationwide. Indeed, many rural telcos have already rolled out broadband (often, we suspect, with hidden USF support) because of the possibilities for new revenue streams. In addition to the wired carriers, a plethora of wireless

carriers from the cellular industry, to Sprint, to Clearwire, to unlicensed operators, to 700 MHz licensees are eagerly vying to deliver broadband. At least at this point in time, it is very premature to assume that the market will not take care of broadband deployment without government subsidization.

3. Apropos of the wireless broadband carriers, it is likely that wireless delivery of broadband, particularly to widely spaced rural customers or communities, will be less costly than a wired network. That being the case, there is absolutely no need for the Board to add broadband to the supported list now, thus supporting a costly and probably unnecessary wired broadband distribution system when those residents may have perfectly adequate service from one of more wireless providers. Until the Joint Board and the Commission solve the underlying problem of how to handle competitive high-cost service providers, it would be a gross mistake to add a huge new cost element to the picture. There are other government programs, such as the Rural Development Access Broadband program[2] that provide low cost loans to deserving firms wanting to deliver broadband. This form of subsidy -- directly tied to the need of the firm, its business plans, and its repayment capabilities -- is a far more appropriate and cost-effective vehicle for subsidizing

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[2] The Rural Development Broadband Access loan program was authorized by the 2002 Farm Bill and enables USDA Rural Development to make loans to deploy broadband service to communities with a population of 20,000 or less, with first priority going to communities without broadband service. The loans are low interest and allow for the technology to be market driven. Since the program's inception more than $850 million has been loaned to 57 entities which projects to nearly 300,000 new subscribers in rural America. USDA News Release 0158.06.

broadband deployment in rural areas and at far less cost than just making it a supported service.

4. Both the Commission and Congress are actively trying to determine how extensive broadband deployment is in this country. See, for example, the Commission's *Fifth Notice of Inquiry*, FCC 07-21, rel. April 16, 2007, seeking more information about deployment, and Senate bill S.1492, introduced May 24, 2007 by Sen. Inouye to mandate the collection of better broadband deployment data. Right now, no one really knows the status of deployment. With that conceded lack of knowledge about the underlying problem by the key policymakers, it is certainly premature to adopt an enormously expensive solution.

5. If it were decided that broadband should be a supported service, questions would arise as to how to fund the acquisition of broadband capacity by wireless carriers. Since many of the broadband frequencies are subject to auction, would the USF subsidize the auction bids of bidders who committed to provide broadband? Would that skew the auction results?

All of these considerations suggest that adding broadband to the supported services list is both premature, unwise and grossly expensive. Broadband should not be added, and high cost support should not be permitted to carriers who are using such support to build out broadband facilities.

D. Conclusion

Corr requests that the Joint Board take these comments into account in developing a comprehensive and permanent plan to support service in high-cost areas.

Respectfully submitted,

Corr Wireless Communications, LLC

By____________/s/______________
Donald J. Evans

Fletcher, Heald & Hildreth, PLC
1300 North 17th Street, 11th Floor
Arlington, VA 22209
703-812-0400

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Its Attorney